

Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 EA-11 ISO-00 AGR-20 FEA-02 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-03 COME-00 DODE-00 EB-11

FPC-01 H-03 INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 8429

INFO AMEMBASSY BRUSSELS

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TAIPEI

C O N F I D E N T I A L JIDDA 5027

E.O. 11652: GDS

TAGS: EAID, ENRG, EFIN, SA, TW

SUBJECT: ROC FINMINISTER VISIT TO SAUDI ARABIA

BEGIN SUMMARY: MINFINANCE LEE OF ROC RECIVED LITTLE SATISFACTION DURING HIS SECOND VISIT TO THE KINGDOM OF SAUDI ARABIA IN THE LAST WEEK OF AUGUST. THE SAUDIS TURNED DOWN FOR THE MOMENT ANY THOUGHT OF INVESTING IN DOWNSTREAM PETROLEUM PLANT ON TAIWAN; CRITICIZED THE PROPOSED JOINT VENTURE BY ROC IN A REFINERY HERE AS TOO SMALL AND UNSOPHISTICATED; AND GAVE NO ENCOURAGEMENT THAT BANKS IN ROC MIGHT QUALIFY AS OFFICIAL SAUDI BANKS OF DEPOSIT. MINISTER OF PETROLEUM YAMAMI CLAIMED THAT STUDIES INDICATED ENERGY ONLY SIX PERCENT OF TOTAL VALUE OF PRODUCTION WORLDWIDE AND ARGUED OIL PRICES NOT THE CAUSE OF INFLATION.
END SUMMARY

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1. MINFINANCE K.T.D. LEE OF REPUBLIC OF CHINA ACCOMPANIED BY

HEAD OF BANK OF TAIWAN RONALD H.C. HO VISITED SAUDI ARABIA DURING LAST WEEK OF AUGUST, DEPARTING ON AUG 31 FOR TAIWAN. LEE TOLD ECON COUNS THAT THIS SECOND VISIT, WHILE HELPFUL IN TERMS OF CONTINUED EXPLORATION OF SAUDI POSITIONS, HAD FEW POSITIVE RESULTS EXCEPT TO MAINTAIN ROC'S CLOSE CONTACT WITH SAUDI PERSONALITIES.

2. LEE HAD HOPED THAT VISIT MIGHT LEAD TO SAUDI DECISION IN PRINCIPLE TO INVEST IN TAIWAN HYDRO-CARBON INDUSTRY, TO TAKE ANOTHER STOP ALONG ROAD TO 250,000 BD REFINERY IN SAUDI ARABIA, AND TO NAME SOME ROC BANKS AS DEPOSITORIES FOR SOME OF SAUDI SURPLUS FUNDS. HE WAS DISAPPOINTED ON ALL COUNTS.

3. CONSISTENT SAUDI POLICY OF STATING THAT FIRST PRIORITY WAS INVESTMENT HERE AND NOT ABROAD WAS RESTATED BY PETROMIN AND BY YAMAMI HIMSELF TO LEE. IN ADDITION, PETROMIN OFFICIALS POINTED OUT THAT THEY WERE NOT INTERESTED IN A SIMPLE FIRST-STAGE REFINERY TO BE BUILT HERE (250,000 BD) BUT WANTED JOINT VENTURE REFINERIES TO INCLUDE PLANNED HYDRO-CRACKING OR OTHER SOPHISTICATED DESIGN IN EARLY STAGES AND A MUCH LARGER PLANT FROM THE BEGINNING, ALONG THE SAME LINES AS THE PRESENT 650,000 BD RAS TANURA REFINERY. TAIWAN'S TOTAL MARKET OF 250,000 BD WAS, THE MINISTER ARGUED, THE LIMITING FACTOR.

4. LEE MET WITH GOVERNOR OF THE SAUDI MONETARY AGENCY, ANWAR ALI, WHO WAS AWARE OF THE STRESSES THE JUMP IN OIL PRICES WERE CAUSING. LEE CITED TO HIM THE REVERSAL OF THE ROC TRADE BALANCE THIS YEAR (ESTIMATED \$500 MILLION DEFICIT WITH \$6.5 BILLION IN EXPORTS ACCORDING TO THE MINISTER). LEE ATTEMPTED TO LEARN WHETHER BANK OF TAIWAN OR OTHER FINANCIAL INSTITUTIONS ON TAIWAN MIGHT BE PLACED ON DEPOSITOR LIST, BUT HE WAS POLITELY TURNED AWAY AND NO ENCOURAGEMENT GIVEN HIM ON THIS. (THIS MIGHT IN OUR OPINION NOT BE THE FINAL DECISION AS DEPOSIT PRESSURES GROW.)

5. MINISTER LEE NOTED THAT U.S./SAUDI ECONOMIC COMMISSION MIGHT CONSIDER SOME COOPERATIVE CHINESE TECHNICAL INPUT. ATTEMPTS TO GROW TWO-CROP RICE IN THE HEAT OF THE HOFUF
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OASIS WERE HAVING SOME SUCCESS, AND THERE MIGHT BE OTHER AREAS WHERE CHINESE TECHNICIANS COULD BETTER USED THAN AMERICAN. (A POINT MADE BY HISHAM NAZER, HEAD OF CENTRAL PLANNING, A FEW MONTHS AGO.)

6. RE OIL AND INFLATION, LEE SAID YAMANI HAD TOLD HIM NEUTRAL STUDIES SHOWED THAT THE COST OF ENERGY IN WORLD-WIDE PRODUCTION WAS LESS THAN SIX PERCENT; OIL WAS ONLY A

PART OF TOTAL ENERGY AND THAT OIL PRICE RISE COULD NOT ALONE
BE BLAMED FOR CURRENT INFLATION.
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